



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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February 23, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in dark ink, appearing to read "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **TARZANA TREATMENT CENTER, INC. - A DEPARTMENT OF PUBLIC
HEALTH HIV/AIDS CARE AND PREVENTION SERVICES PROVIDER**

We completed a fiscal review of Tarzana Treatment Center, Inc. (Tarzana or Agency), a Department of Public Health (DPH) HIV/AIDS care and prevention services provider.

Background

DPH's Office of AIDS Programs and Policy (OAPP) contracts with Tarzana to provide HIV/AIDS medical outpatient services, home-based care, case management, mental health services, substance abuse, residential care, residential transitional housing and outreach services. Tarzana's offices are located in the Third District.

Tarzana had 13 contracts with OAPP during Fiscal Year 2006-07. DPH paid Tarzana approximately \$681,593 for four fixed-fee contracts and \$2,046,269 for nine cost reimbursement contracts. Both types of contracts required the Agency to comply with the Ryan White Comprehensive AIDS Resource Emergency Act (CARE Act) and other federal and State program requirements.

Purpose/Methodology

The purpose of our review was to ensure that Tarzana appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of Tarzana's accounting records, internal controls and compliance with the contract and applicable

federal and State fiscal guidelines governing the CARE Act. In addition, we determined whether the Agency provided services to eligible participants.

Results of Review

Tarzana properly recorded and deposited cash receipts and revenue in their bank account. However, the Agency did not always maintain documentation to support their program expenditures. For example:

- Tarzana's accounting records did not support \$27,434 in program expenditures reported on their cost reimbursement contracts.
- Tarzana's client fee determination system for their fee-for-service contracts was not in compliance with the CARE Act, which requires a sliding fee schedule based on the client's ability to pay.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Tarzana on September 22, 2008. In their attached response, Tarzana agreed to repay DPH \$702 of the \$28,136 in questioned costs. The Agency provided copies of their accounting records to document the remaining \$27,434 (\$28,136 - \$702) in questioned costs. However, the documentation was not sufficient. We notified OAPP of the results of our review and will work with OAPP to resolve the remaining \$27,434 in questioned costs.

We thank Tarzana for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Public Health Department
Scott Taylor, President, Tarzana Treatment Center
Albert M. Senella, Chief Operating Officer, Tarzana Treatment Center
Public Information Office
Audit Committee

**HIV/AIDS CARE AND PREVENTION SERVICES
TARZANA TREATMENT CENTER, INC.
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether Tarzana Treatment Center, Inc. (Tarzana or Agency) provided services to individuals that meet the eligibility requirements of the Office of AIDS Programs and Policy (OAPP).

Verification

We reviewed the case files for 40 program participants that received services from January 2005 to September 2006 for documentation to confirm the participants' eligibility for OAPP services.

Results

The case files for two (5%) of 40 program participants did not contain documentation to support their eligibility for program services. One case file did not document whether Tarzana screened the participant for third party payers prior to billing the services to OAPP and another case file did not contain documentation verifying the participant's HIV status.

Recommendations

Tarzana management:

1. **Ensure that client files document that clients are screened for Medi-Cal, private medical insurance and other third party payers, as appropriate.**
2. **Ensure that Agency staff obtain the appropriate documentation from participants to determine the participants' eligibility for program services.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed their financial records. We also reviewed the Agency's September 2006 bank reconciliations for two bank accounts. In addition, we reviewed Tarzana's reimbursement claims sent to OAPP for August and September 2006 and verified the number of days billed to OAPP for 19 residents.

Results

Tarzana properly recorded and deposited OAPP payments into the Agency's bank account. However, Tarzana's daily resident attendance records for the transitional housing contracts did not support the number of bed days billed to OAPP during the period of our review. In addition, for one resident, the Agency billed for more days than allowable. The undocumented and unallowable billings totaled \$360.

Tarzana's client fee determination system also was not approved by OAPP or in compliance with the CARE Act which requires the Agency to impose a service fee based on the client's ability to pay. Specifically:

- Transitional housing residents were charged a monthly fixed rate of 30% of the clients' income without taking into consideration the client's ability to pay as required.
- For outpatient and inpatient services, the fee schedules were not updated to reflect the current federal official poverty income levels. In addition, Tarzana's fee schedules imposed fees to clients although their income levels were below the federal poverty line.

Recommendations**Tarzana management:**

3. **Repay DPH \$360.**
4. **Bill OAPP based on the actual number of bed days provided as required by the contract.**
5. **Ensure the Agency's client fee determination system is in compliance with the CARE Act.**
6. **Ensure that the Agency's client fee determination system has been reviewed and approved by OAPP.**
7. **Ensure the Agency's client fee schedule is regularly updated to reflect changes in federal poverty income levels.**

EXPENDITURES**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed accounting records and reviewed supporting documentation for 29 non-personnel expenditure transactions billed to OAPP for August to September 2006 totaling \$154,123.

Results

The Agency did not maintain appropriate documentation to support \$1,977 in program expenditures for their cost reimbursement contracts. Specifically, Tarzana billed OAPP:

- \$1,635 for various expenditures including office supplies and travel, without adequate documentation. Subsequent to our review, Tarzana provided additional documentation to support the expenditures.
- \$342 for medical prescriptions. However, they did not provide documentation indicating that the costs were incurred for OAPP clients.

Recommendations**Tarzana management:**

8. Repay DPH \$342 or provide documentation to support the expenditures.
9. Ensure program expenditures are adequately supported.
10. Ensure that program expenditures are allowable and related to OAPP activities.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether the Agency's fixed assets and equipment purchased with program funds are used for the program and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment listing. In addition, we performed a physical inspection of a mobile testing unit that was provided to the Agency by OAPP.

Results

Tarzana used the mobile testing unit for the AIDS program. However, on two separate occasions, we found the unit unlocked and unattended.

Recommendation

11. Tarzana management ensure their mobile testing unit is locked when unattended.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures are appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures charged to OAPP for 15 employees totaling \$30,038 for February, August and September 2006 to the Agency's payroll records and time reports. We also reviewed the personnel files of staff assigned to OAPP activities.

Results

Generally, Tarzana maintained the required personnel records. However, Tarzana's payroll billings related to the cost reimbursement contracts were not always in compliance with the County contract requirements. Specifically, Tarzana indicated that payroll billings were based on actual hours worked. However, the Agency did not require staff working on multiple programs to identify the actual hours they worked on each program on their timecards. As a result, we were unable to verify the appropriateness of the payroll costs billed to OAPP.

Recommendations

Tarzana management:

12. Ensure payroll billings are based on actual hours spent by employees performing OAPP related activities.

13. Ensure all employees record actual hours worked each day on their time reports to support the time spent on program activities.

COST ALLOCATION PLAN

Objective

Determine whether the Tarzana's Cost allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan and accounting records for FY 2006-07 to ensure that expenditures were properly allocated to the Agency's appropriate programs.

Results

Tarzana's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Recommendation

There are no recommendations for this section.

COST REPORTS

Objective

Determine whether the Agency's cost reports reconcile to their accounting records.

Verification

We traced the Agency's general ledgers to the Agency's cost reports submitted to OAPP for the 13 contracts reviewed.

Results

Tarzana's cost reports did not reconcile to their accounting records. The cost reports exceeded their general ledger by \$55,358. Tarzana indicated that the differences were mainly due to expenditure adjustments that were not recorded in the accounting records.

Subsequent to our exit conference, Tarzana provided additional documentation to support \$27,924 in questioned costs. As a result, the remaining questioned costs totaled \$27,434 (\$55,358 + \$27,924).

Recommendations

Tarzana management:

- 14. Repay DPH \$27,434 related to the cost reimbursement contracts.**
- 15. Ensure that all OAPP expenditures are appropriately recorded in the accounting records.**

BOARD OFFICERS



November 17, 2008

County of Los Angeles
Department of Auditor-Controller
Los Angeles World Trade Center
350 South Figueroa Street, 8th Floor
Los Angeles, California 90071

Attn: Ms. Wendy Watanabe, Acting Auditor-Controller

Dear Ms. Watanabe:

This is written in response to the report we received late September 2008, regarding your department's fall 2006 fiscal review of Tarzana Treatment Center, Inc. OAPP contracts.

ELIGIBILITY

Recommendations

1. Ensure that client files document that clients are screened for MediCal, private medical insurance and other public sector funding, as appropriate.
2. Ensure that Agency staff obtains the appropriate documentation from clients/participants to determine the participants' eligibility for program services.

Corrective Action Plan

1. Management has instructed the staff, and provided training, to the staff to properly evaluate the eligibility of clients.
2. Management has instructed the staff to get appropriate documentation from clients/participants to determine if they are eligible for the program services.

CASH/REVENUE

Recommendations

3. Repay \$360
4. Bill OAPP based on the actual number of bed days provided as required by the contract.

INCORPORATED IN LVP2

OBEDIENCE • RESIDENTIAL • PREVENTION • WOMEN'S SERVICES • COMMUNITY EDUCATION • FAMILY MEDICAL CARE • MENTAL HEALTH
OUTPATIENT • YOUTH SERVICES • SOBER LIVING • HIV/AIDS SERVICES • AFTER CARE • FAMILY SERVICES • DOMESTIC VIOLENCE

Accredited by The Joint Commission on Accreditation of Healthcare Organizations • A Los Angeles County and State of California Certified Agency, Formally Accredited by the Drug Program Plan of the County of Los Angeles
Rules for Acceptance and Participation in the Program are the same for Everyone Without Regard to Race, Color, National Origin, Age, Sex, or Handicap.

5. Ensure the Agency's client fee system is in compliance with the CARE Act.

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6. Ensure that the Agency's client fee determination system has been reviewed and approved by OAPP.
7. Ensure the Agency's client fee schedule is regularly updated to reflect changes in federal poverty income levels.

Corrective Action Plan

3. Repay \$360.00 Agreed

4. The client who was billed for more days than allowable was a clerical error, and Management has instructed the staff to verify the accuracy of days billed.

5. Management has reviewed its client fee system to determine that it is in compliance with the CARE Act.

6. Management has reviewed its client fee system to determine that it is in compliance with the County contract.

7. Management has updated its client fee schedule to reflect changes in federal poverty income levels.

EXPENDITURES

Recommendations

8. Repay DPH \$342 related to the cost reimbursement contracts.
9. Ensure program expenditures are adequately supported.
10. Ensure only those costs that are allowable and related activities of OAPP are charged to the program.

Corrective Action Plan

8. Repay \$342 Agreed

9. Management maintains its records including support for expenditures billed. Line item direct and allocated costs are kept with the monthly billing forms.

10. Costs are reviewed and approved prior to billing to OAPP programs.

FIXED ASSETS AND EQUIPMENT

Recommendations

11. Tarzana management ensures their mobile testing unit is locked when unattended.

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Corrective Action Plan

11. Management has instructed personnel to make sure that the mobile testing unit is locked when unattended.

PAYROLL AND PERSONNEL

Recommendations

12. Ensure payroll billings are based on actual hours spent by employees performing OAPP related activities.
13. Ensure all employees record actual hours worked each day on their time reports to support the time spent on program activities.

Corrective Action Plan

12. Payroll billings are based on actual hours spent by employees performing OAPP related activities.
13. Management's policy is for employees to document the program worked each day, and to record the supervisor's approval.

COST REPORTS

Recommendations

14. Repay DPH \$27,434 related to the cost reimbursement contracts.
15. Ensure that all OAPP expenditures are appropriately recorded in the accounting records.

Corrective Action Plan

Contract H300127 – During the contract term, the position held by P. Rex was replaced by Lydia Vasquez. We have reviewed our records, which do not reflect that the line item,

Case Aide/Project Assistant, was reimbursed in excess in the amount of \$5,549. Attached please find:

- 1(A) Copy of 2005-2006 Cost Report
- 1(B) Copies of employee time sheet showing her spending time on that contract
- 1(C) Balance Detail of #200127 showing no overpayment
- 1(D) General Ledger for the period of March 05 through February 06

Contract H210795 - You requested a time study regarding Tom Martinez, Program Director, spending time on this contract. We have enclosed the time study which supports that he spent time on this program.

- 2(A) Time Study October 2005
- 2(B) Time Study November 2005
- 2(C) Time Study December 2005
- 2(D) Time Study September 2006

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Contract H700268 - The time distribution and electronic version of time worked was provided for the months of May and August 2005 for N. Pacheco; and October 2005 for T. Wright. These employees, by signing the time distribution, verified that they worked on this program during those periods. N. Pacheco is still employed at Tarzana Treatment Center, Inc., and, since the second half of May 2005 time distribution was misplaced, he completed it again and signed it in 2008. However, our policy is for the employee to complete the form, and it must be approved by the employee's supervisor.

- 3(A) Time Sheets for N. Pacheco for the period of **May 2005**
- 3(B) Time Sheets for N. Pacheco for the period of **August 2005**
- 3(C) Time Sheets for T Wright for the period of **October 2005**
- 3(D) General Ledger for the period of April 2005 through March 2006

Contract H209078 - Disallowed operating costs, Computer Supplies and Expenses, Facility Maintenance & Repairs, Telephone, Program Supplies, Training/Conference and Consulting Costs, are supported by the enclosed original vendor invoices.

Computer Supplies and Expenses, Facility Maintenance & Repairs, Telephone, Program
4. Supplies is based on the allocation method policy. Find enclosed our policy.

4(A) General Ledger for the period of April 2005 through March 2006

4(B) Computer Supplies Invoice

4(C) Telephone Bill Invoice

4(D) Program Supplies Invoice

4(E) Maintenance Invoice

4(F) Consultant Time Distribution and payroll record are enclosed for Phyllis Cohen for
the period of July 05

Contract 11209018 -The salaries and employee benefits disallowed resulted from
supplemental billing for T. Saunders and M. Anguiano. The General Ledger provided to
your staff in 2008 was adjusted to include this supplemental billing. Timesheets and Time
Distribution reports were provided to your staff. We are enclosing copies of the general
ledger, and time information to support our position. Radiology costs in the amount of
\$831 are supported by the enclosed invoices. The portion related to this program was
determined by the program staff providing the services. Unfortunately, we cannot locate
the supporting Ophthalmology invoice which was previously provided to your staff in
2006.

5(A) Time sheet for Miguel Anguiano for the period of March 2005

5(B) earning statement Miguel Anguiano for the period of March 2005

5 (C) Time sheets for Terry Saunders for the period of March 2005

5(D) earning statement Terry Saunders for the period of March 2005

5(E) Radiology costs in the amount of \$831 are supported by the enclosed invoices.

COST ALLOCATION PLAN

Recommendation

12. Ensure payroll billings are based on actual hours spent by employees performing
OAPP related activities.
13. Ensure all employees record actual hours worked each day on their time reports to
support the time spent on program activities.
14. Ensure that all OAPP expenditures are appropriately recorded in the accounting
records.

Corrective Action Plan

12 It is the policy of Tarzana Treatment Center, Inc. for each employee to record actual
hours spent performing services to OAPP contracts, and that these amounts are billed to
the programs.

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13. Employees are required to report the daily time devoted to programs, which is approved by the employees supervisor.

14. It is the policy and practice for all OAHF expenditures to be recorded in the accounting records.

We have enclosed documentation previously submitted, and respectfully request that you review it, and adjust your records to reflect this information.

Please note that this fiscal review began in the fall of 2006, at that time your staff left our facilities without commenting on or asking questions about issues that they found which could have been answered at that time. We did not hear from anyone else from your department until almost two years later when we received a letter from a department supervisor. The Tazana Treatment Center, Inc. staff has changed, and it is very difficult to continue with the same process. For future fiscal reviews, we would appreciate it if we would receive information regarding deficiencies during the audit, and also, if we could have an exit interview like we had with Maria McGloin before the auditors leave our facilities.

Do not hesitate to contact us if you have any questions, or need clarification.

Respectfully,


Silvia Cadena,
Chief Financial Officer

SC/fs
Enclosures
Cc: Maria McGloin